



SENATE BILL 444: UNC Nonappropriated Capital Projects

2011-2012 General Assembly

Committee: Senate Finance
Introduced by: Sen. Hartsell
Analysis of: PCS to First Edition
S444-CSMC-22

Date: June 5, 2012
Prepared by: Cindy Avrette
Committee Counsel

SUMMARY: *Senate Finance considered for discussion purposes a PCS for Senate Bill 444 at its meeting on Wednesday, May 30th. The PCS authorized the construction of numerous projects by The University of North Carolina. The projects will be financed through revenue bonds and special obligation bonds, not appropriations from the General Fund.*

Sen. Apodaca offered an amendment to remove two projects from the list that would impact the Horace Williams Airport property: Collaborative Science Building and Infrastructure Improvements – Phase 2. His amendment also would have changed how the State reimburses members of the Board of Governors who reside outside North Carolina. The Committee did not vote on either the PCS or the amendment.

The NEW proposed committee substitute, S444-CSMC-22, does two things:

- It incorporates the first part of Sen. Apodaca's amendment by removing the two projects from the list of UNC projects.*
- It adds to the bill a new section authorizing 29 capital projects to be funded with receipts or from other non-General Fund sources. (Section 10, Page 3, line 38) The General Assembly must authorize these projects each year.*

CURRENT LAW: Under Article 8 of the State Budget Act, no State agency may expend funds for the construction or renovation of a capital improvement project unless authorized to do so by the General Assembly. The Board of Governors of The University of North Carolina may approve expenditures for projects that are to be funded entirely with non-General Fund money. However, under Article 3 of Chapter 116D, the General Assembly must approve the issuance of special obligation bonds for UNC projects.

There are two types of self-liquidating bonds that may be issued by the Board of Governors of the University of North Carolina. Article 21 of Chapter 116 of the General Statutes authorizes the Board of Governors to issue revenue bonds for the types of projects enumerated in the article. The types of projects for which revenue bonds may be issued include educational buildings, dormitories, recreational facilities, dining facilities, student centers, health care buildings, parking decks, etc. for the educational institutions, the University of North Carolina Health Care System, the University of North Carolina General Administration, and the University of North Carolina Hospitals at Chapel Hill. The revenue bonds are payable from rentals, charges, fees, and other revenues generated by the facility. The bonds are not payable from tax revenues.

Article 3 of Chapter 116D of the General Statutes authorizes the Board of Governors to issue special obligation bonds payable with any sources of income or receipts of the Board of Governors or a constituent or affiliated institution, but not including tuition payments or appropriations from the General Fund from State revenues. The bond proceeds could be used for construction, improvement, and acquisition of any capital facilities located at UNC constituent and affiliated institutions. The project must be approved by the board of trustees for the respective institution for which the project is authorized and the General Assembly must approve the project and the maximum aggregate principal amount for the project. The bonds are not payable from tax revenues.

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BILL ANALYSIS: The proposed committee substitute for Senate Bill 444 would authorize the construction and financing of the capital improvements projects at various constituent institutions of The University of North Carolina. The projects authorized by the bill would not be financed with funds appropriated from the State's General Fund; but may be financed with gifts, grants, receipts, self-liquidating indebtedness, Medicare reimbursements for education costs, other funds available to the constituent institutions, or a combination of any of those financing methods. The projects include academic, research, clinical and administrative space and improvements to student services, residential living, dining, recreation, and athletics facilities. Once approved, a detailed financial plan will be developed in consultation with financial advisors and bond counsel for each project. The plans must be approved by the Chancellor, the Boards of Trustees, the President, and the Board of Governors before construction contracts may be awarded and bonds issued.

The self-liquidating projects the Board of Governors plans to finance with revenue and/or special obligation bonds are listed in Sections 2 and 3 of the bill. The UNC revenue bond act in Article 21 of Chapter 116 of the General Statutes authorizes the Board of Governors to issue revenue bonds to finance the cost of a variety of capital projects. The UNC special obligation bond act in Article 3 of Chapter 116D of the General Statutes requires that the specific projects and their costs be set forth in legislation approved by the General Assembly and that the maximum amount of special obligation bonds to be issued to finance the specific projects listed be stated. Section 5 of the bill expressly states that the maximum principal amount of special obligation bonds to be issued shall not exceed the amounts listed in Sections 2 and 3 of the act plus 5%. The additional 5% may be used for related additional costs for which bond proceeds are routinely used, such as issuance expenses, funding of reserve funds, and capitalized interest.

This year's bill includes 17 capital projects on eight campuses in Section 2 of the bill. The Chancellors and Boards of Trustees for the listed campuses, as well as the President and the Board, have approved these projects. Support from General Fund sources for operating costs will be required only for facilities used for academic programs.

Sections 6 through 8 authorize three institutions to construct and finance projects through lease arrangements to, from, and with named entities. Once constructed and approved by state reviewing agencies, the improvements would transfer to the respective institutions. The three projects are:

- Chilled Water Infrastructure Improvements capital project at UNC-Chapel Hill. The school will partner with the Orange Water and Sewer Authority.
- New Student Housing Building capital project at Winston-Salem State University. The school will partner with Winston-Salem State University Foundation, Inc. and Winston-Salem State University Housing Foundation, LLC.
- Bowman Gray Stadium, Fieldhouse, parking lots, and recreation area capital project at Winston-Salem State University. The school will partner with the City of Winston-Salem.

Section 3 authorizes the Board of Governors to expend non-General Fund money to plan six capital projects on four campuses.

Section 9 provides that the prohibition in the ABC laws for the sale of beer and wine on the property of a public school or college would not apply to the Bowman Gray Stadium. This exception would be limited to events that are not sponsored or funded by the institution, Winston-Salem State. NASCAR is a sponsored event at this stadium.

Section 10 authorizes the construction of 29 capital projects to be funded with non-General Fund sources totaling \$25,051,143.

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